VISN: 20

Facility Name: Portland VA Medical Center

Affected Facilities: Vancouver Campus

Recommended Alternative #2: Reduce the footprint.

A. Summary and Conclusions

1. Executive Summary: We do not recommend relocating any of the services or functions that currently exist on the Vancouver campus of the Portland VA Medical Center. We believe neither Alternative #1 (realigning services and vacating the Vancouver campus) nor the 100% contracting option would be cost effective; neither would ensure comparable levels of service to patients; neither would make care more conveniently accessible; and both would close a relatively new physical plant specifically built for the current uses. We recommend Alternative #2 (Reducing the footprint). We are currently demolishing approximately 17 of the 36 old cantonment buildings and have a plan to completely remove all these old buildings in the next 24 months. Decreasing the VA footprint on the Vancouver campus, which requires no realignment of services, makes 40% (over 19 acres) of the campus available for enhanced use lease (EUL) opportunities, some of which are already near completion.

2. Current Environment: The Portland VAMC is composed of two campuses within the greater metropolitan area, as well as a number of remote CBOCs. No services are duplicated between Portland and the Vancouver campus. Although primary care services are available in both places, there is no redundant capacity. The main facility is in downtown Portland and sits on a hill, surrounded by steep ravines, adjacent to Oregon Health and Science University. All acute inpatient (medical, surgical, and mental health) services reside on the Portland Campus. Outpatient primary care, specialty care, emergency medicine, and mental health services are also available. This campus also houses all our major research laboratories and many administrative functions.

   Space on the Portland Campus is extremely limited and the capacity for expansion is even more so due to the lack of adequate parking for patients, visitors, and employees. Using the CO formula, we calculate that we are short 645 parking spaces. A new parking structure would cost over $11 million and we are not certain that there is space for such a structure. There is no room to expand our physical plant or surface parking.

   As part of our CARES planning, we have proposed moving most of our Primary Care operations off the Portland campus to satellite clinics in the metropolitan area using the vacated space for expansion of specialty care. Oregon Health & Science University (OHSU) leases two inpatient wards from us with net revenue of $1,017,326 per year. We would reopen these as acute hospital wards if we

had adequate nursing staff. A third ward is being used as swing space as we remodel our Intensive Care Unit and perform the seismic corrections to Buildings 6 and 16 (older buildings that house administrative and research functions).

The Vancouver campus, which is 11.5 miles away across the Columbia River in the state of Washington, is our only site for post-acute care, and both inpatient and outpatient physical medicine and rehabilitation. The 52-acre campus is relatively flat and gently slopes south towards the Columbia River. The campus is bordered on the west by Interstate-5 and by major streets on the other three sides, which provide convenient access and proximity to public transportation. Clark Community College and small business commercial properties primarily surround the campus. A US Army post cemetery and residential neighborhoods also border the campus.

The Nursing Home Care Unit (NHCU), which includes the Nursing Skilled Care Unit (NSCU) and Comprehensive Rehabilitation Unit (CRU), is the only clinical inpatient service providing care 24 hours a day on the Vancouver Campus. This unit is in a state-of-the-art building constructed in 1985, with additional outpatient rehab space added in 1992. It does not function as a nursing home in the usual sense. The length of stay averages less than thirty days. Patients that need long-term nursing care are placed on a contractual basis in community facilities. This unit is used primarily for post-acute care and for rehabilitation. Outside consultants have verified the high acuity of services provided in this unit and that contracting for this care will likely exceed $11 million annually. Physical rehabilitation services in the community are in relatively short supply.

Furthermore, we have concerns about the secondary impact on the average length of stay (ALOS) in acute care beds. Clinicians may be unable or reluctant to discharge some patients directly to community nursing homes, and the time it takes to make a placement may adversely impact the optimal utilization of acute medical and surgical beds. For example, no community nursing home in our area will take our patients with serious vascular ulcers because they cannot do the required wound care. These patients are usually transferred to our NSCU.

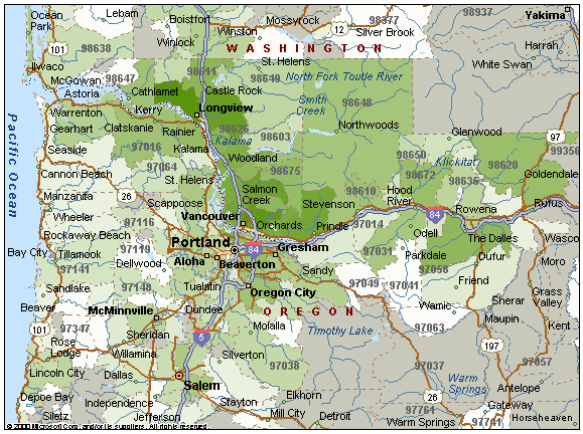


Figure 1. Vancouver Primary Care Patient's Residence

Additionally, we have a large Primary Care and primary Mental Health operation that has expanded hours of operation into the evenings and Saturdays due to increasing demand and limited space. Patients receiving care on the campus reside primarily in suburban communities north of Vancouver along the Interstate 5 corridor (dark green areas).

The building housing these outpatient services was dedicated in 1992 and designed for this purpose. It also houses our entire Compensation and Pension (C&P) program, our comprehensive outpatient mental health and substance abuse programs, and the Physical Medicine & Rehabilitation Service. A primary care support building was completed last year. Satellite laboratory, imaging, dental, audiology, and optometry programs support both our outpatient and inpatient clinical operations. Other functions based there include the offices of the Home & Community Based Care Program and the Contract Community Nursing Home Care Program.

We maintain a transplant lodger program on the Vancouver campus, which is vital to our liver and renal transplant programs. Patients awaiting transplantation, and those who are post–transplant, can reside there with a caregiver in a mutually supportive environment. Our domiciliary is in Vancouver. We house patients enrolled in our residential programs and use it as transitional lodging for patients returning from inpatient programs in White City. All our outpatient addiction and vocational rehabilitation programs are on the Vancouver campus. The Network Office and the Regional Office of Resolution Management also are housed on the Vancouver campus. The campus also supports many facility management functions that serve both campuses, including the only warehouse, sign shop and reproduction center for the Medical Center. There is no duplication of these services between these campuses. All options for relocating these services would also require us to lease or build replacement facilities in the greater metropolitan area.

3. Workload Summary: Clinics on the Vancouver campus currently serve almost 10,000 patients, producing 89,000 stops annually. Contracting for these services will be difficult and expensive. Clark County, Washington is the second fastest growing county in the country and has outstripped its healthcare services. There is a particular shortage of primary care clinicians and mental health providers. This is compounded by the fact that this part of the country remains highly penetrated by managed care. A recent study by the Oregon Medical Association disclosed that 30% of physicians expect to retire in the next 5 years, 20% plan on leaving the state and 50% will no take new Medicare or Medicaid patients.

   Experience at the Seattle VAMC has shown that a contractual requirement for the compliance with VHA's preventive health and chronic disease management measures significantly increases the cost of basic primary care services. Relocating these services to a site other than the Vancouver campus will not improve access and will only require us to lease or build new space to accommodate these functions.

   The workload figures below reflect the demand projected by the CARES models. Our demand for care has been significant the last few years. We have had some of the largest waiting lists in the country, in spite of implementing advanced clinic access, direct clinic access, evening and weekend clinics. Up to 1200 new

patients apply for care each month. The number of unique patients we treat increased 17% this past year. Eighty-eight percent of these were Priority 1-6 veterans. Every new primary care patient generated 2.5 specialty care consults and 30% required a mental health referral. The services available on the Vancouver campus are integral to our ability to meet these workload demands. Please note on page 2 that most of these patients come from counties in Washington State north of the campus along the I-5 corridor.

Vacate Campus **Alternate # 1**				
Workload or Space Category	**Baseline Wkld**	**Baseline workload from Millmar for beds & stops**	**2012 projected Wkld**	**2022 Projected Wkld**
Inpatient Medicine		0	0	0
Inpatient Surgery		0	0	0
Inpatient Psych		0	0	0
Inpatient Dom		0	0	0
Inpatient NHCU	60	43688	43688	43688
Inpatient PRRTP		0	0	0
Inpatient SCI		0	0	0
Inpatient BRC		0	0	0
Outpatient Primary Care		21739	32234	29559
Outpatient Specialty Care		5035	23261	22807
Outpatient Mental Health		55611	55862	55280
Ancilliary & Diagnostics		5063	12309	10525
Research SPACE	N/A		N/A	N/A
Admin SPACE	N/A		N/A	N/A
Other SPACE	N/A		N/A	N/A

Reduce Footprint **Alternate # 2**				
Workload or Space Category	**2001 ADC for IP**	**Baseline workload from Millmar for beds & stops**	**2012 Projected Wkld (beds, stops)**	**2022 Projected Wkld (beds, stops)**
Inpatient Medicine		0	0	0
Inpatient Surgery		0	0	0
Inpatient Psych		0	0	0
Inpatient Dom		0	0	0
Inpatient NHCU	60	125	125	125
Inpatient PRRTP		0	0	0
Inpatient SCI		0	0	0
Inpatient BRC		0	0	0
Outpatient Primary Care		21739	32234	29559
Outpatient Specialty Care		5035	23261	22807
Outpatient Mental Health		55611	55862	55280
Ancilliary & Diagnostics		5063	12309	10525
Research SPACE	N/A		N/A	N/A
Admin SPACE	N/A		N/A	N/A
Other SPACE	N/A		N/A	N/A

4. Recommended Option: After seriously reviewing the possibilities, we recommend that current services be maintained on the Vancouver campus and that the footprint be reduced to both reduce operating costs and create land that may be used for other EUL (Alternative 2). We have had a plan to renovate the Vancouver campus for a number of years and have slowly been demolishing the old *temporary* buildings within existing resources. Through a recently approved EUL, Clark County, Washington intends to build (in lieu of land value) a new facility to house its public health programs. Through this EUL, we will gain enough square footage to allow us to finish demolishing these old buildings. At that point, all programs on the Vancouver campus will be housed in relatively new space, designed to meet the needs of our patients. Under our current plan, the campus will be devoted to rehabilitation and long-term care services, outpatient primary care, mental health and substance abuse programs, and administrative functions. Once the remaining old structures are demolished, more than 19 acres will be available for EUL.

   Modern rehabilitation and ambulatory structures, as well as old World War II era (originally built in 1941) wood frame barracks, currently house clinical and administrative functions on the Vancouver campus. The Nursing Home, Barnes Rehabilitation Center and Primary Care Support buildings comprise the core of the clinical activities. The 39 smaller cantonment buildings house primarily administrative functions or are now leased to Clark County (pending construction of their new building under an EUL on the Vancouver site).

Building	**Year Constructed**	**Activities**	**Type of Activity**
Nursing Home Care Unit (Building 1)	1985	Nursing Skilled Care Unit (NSCU)	Inpatient
Barnes Rehabilitation Center (Building 11)	1992	Comprehensive Rehabilitation Unit (CRU) Primary Care Clinic Mental Health Clinic Substance Abuse Treatment	Inpatient Outpatient Outpatient Outpatient
Primary Care Support Building (Building 15)	2002	Dental Prosthetics Community Nursing Home Home and Community Based Care Other Administrative Functions	In patient and Outpatient Inpatient and Outpatient Fee Program Home Based and Fee Program
Building 12	1989	Transitional Lodging Unit	Lodging
Buildings T-2116, T-2131, T- 2114	1942	Transplant Lodging Unit	Lodging

The modern portion of the campus (gray buildings), built since the mid 1980's, occupies approximately 32.8 acres. This includes all the buildings that house clinical programs as well as the only warehouse, laundry facility, print and sign shops for the entire Portland VAMC. A Primary Care support building, which houses prosthetic services, dental, and home care programs, was built last year. We have been demolishing the old structures within existing resources. We plan to remove 17 of these (■) by the end of this calendar year to make way for the Clark County EUL. We will demolish 4 by the end of FY04 (■). With the new space we will receive in the new Clark County building, we will vacate the remaining structures (■). By 2006, all WWII-era barrack structures and associated connecting corridors will be demolished and 19.2 acres will be available for reuse.

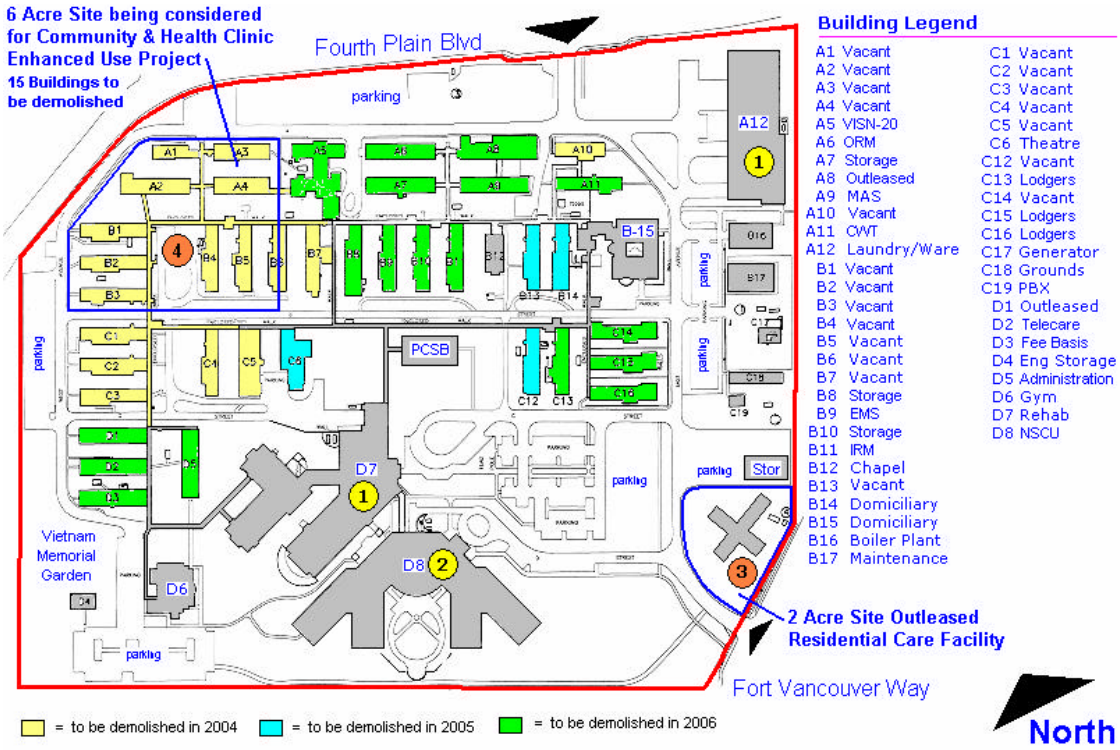


Figure 2. Vancouver map depicting current layout and demolision

Of the 19.2 acres available for reuse, 6.1 acres are currently dedicated to an enhanced use lease agreement with Clark County that proposes to build a four-story 150,000 sf public health building on VA land. We will receive over 28,000 ft^2 in exchange for the lease value of the land. Veterans will be given priority services by agencies occupying space in the building, e.g., including crisis triage center, sub-acute detoxification beds, and a variety of other community services. There is a significant need for mental health and substance abuse services in our community, especially among veterans. Providing these services on campus will

greatly assist with continuity of care between VA and non-VA providers. Having services co located also facilitates veteran patients referral for services.

Our experience in creating EUL opportunities is already well established. We were the first VAMC to establish an EUL single room occupancy (SRO) facility in the nation. This was built as a partnership between HUD, Clark County, Key Bank, and the Portland VAMC. We have priority placement for homeless veterans into half the transitional lodging units (62 beds). We are currently awaiting the final 30-day notification to Congress on an EUL with Clark County, Washington. They will build a facility to house all their public health programs. In return we will get 23,696 sq ft of new space that will house the VISN office, ORM, our network-wide telephone care program, and other administrative functions. Clark County will maintain an acute detoxification program that will be a resource available to us that does not now exist. Both the SRO and the Clark County EUL projects clearly demonstrate that we have the experience, initiative, creativity and skills to promote additional EUL uses.

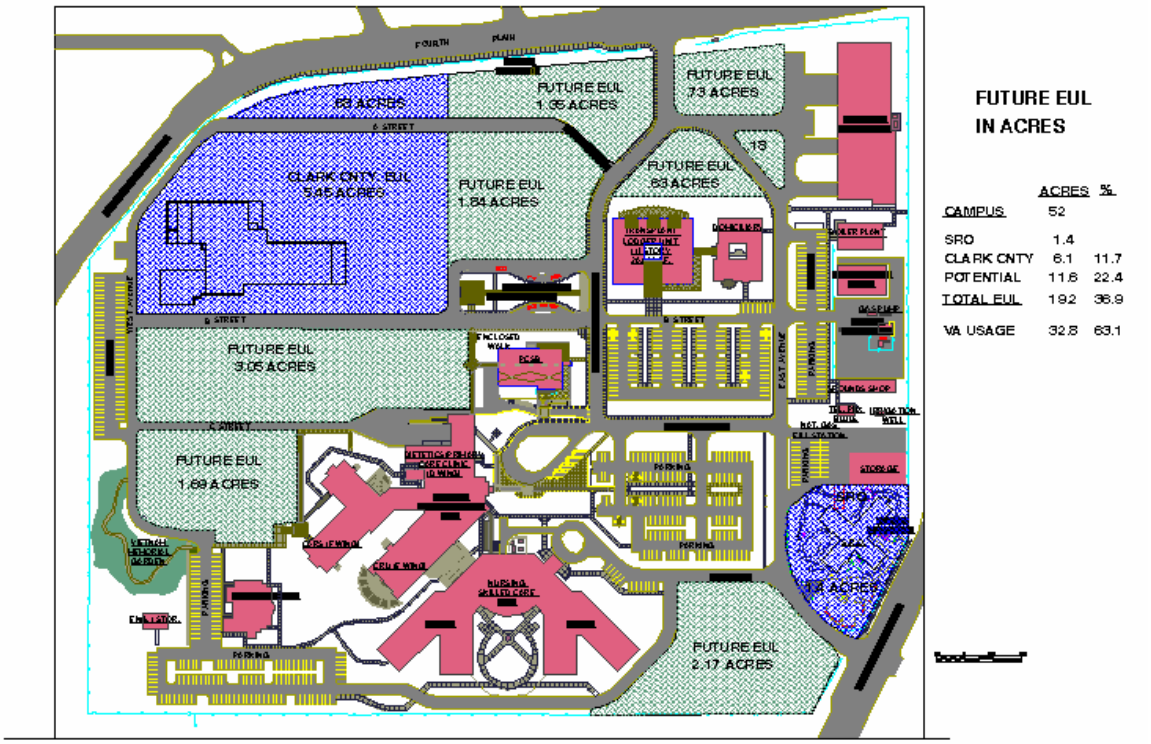


Figure 3. Map of Vancouver campus showing areas available or currently occupied with EULs.

In summary, we believe that many of the strategic objectives inherent in the National CARES draft for Vancouver can be achieved more cost effectively by not realigning services as proposed in Alternative #1, but rather proceeding with Alternative #2, reducing the footprint of the Vancouver campus and developing additional EUL opportunities to involve almost 40% of the campus.

B. Analysis.

1. Description of current programs and services environment:

Alternate # 1					Short description:Move Campus inpatient and outpatient servic			
Workload or Space Category	**Baseline Wkld**	**Baseline workload from Millman for beds & stops**	**2012 projected Wkld**	**2022 Projected Wkld**	**% to be transferred**	**Year to begin transfer**	**Receiving Facility Name**	**Receiving Facility % contracted out**
Inpatient Medicine		0	0	0				
Inpatient Surgery		0	0	0				
Inpatient Psych		0	0	0				
Inpatient Dom		0	0	0				
Inpatient NHCU	60	43688	43688	43688	100	6	Portland	
Inpatient PRRTP		0	0	0				
Inpatient SCI		0	0	0				
Inpatient BRC		0	0	0				
Outpatient Primary Care		21739	32234	29559				
Outpatient Specialty Care		5035	23261	22807				
Outpatient Mental Health		55611	55862	55280				
Ancilliary & Diagnostics		5063	12309	10525				
Research SPACE	N/A		N/A	N/A				
Admin SPACE	N/A		N/A	N/A				
Other SPACE	N/A		N/A	N/A				

Move offsite in Vancouver

Alternate # 2					Short description: Reduce footprint at Vancouver (SEE FOOTPRINT TEMPLATE)			
Workload or Space Category	**2001 ADC for IP**	**Baseline workload from Millman for beds & stops**	**2012 Projected Wkld (beds, stops)**	**2022 Projected Wkld (beds, stops)**	**% to be transferred**	**Year to begin transfer**	**Receiving Facility Name**	**Receiving Facility % contracted out**
Inpatient Medicine		0	0	0	0			
Inpatient Surgery		0	0	0	0			
Inpatient Psych		0	0	0	0			
Inpatient Dom		0	0	0	0			
Inpatient NHCU	60	125	125	125	0			
Inpatient PRRTP		0	0	0	0			
Inpatient SCI		0	0	0	0			
Inpatient BRC		0	0	0	0			
Outpatient Primary Care		21739	32234	29559	0			
Outpatient Specialty Care		5035	23261	22807	0			
Outpatient Mental Health		55611	55862	55280	0			
Ancilliary & Diagnostics		5063	12309	10525	0			
Research SPACE	N/A		N/A	N/A				
Admin SPACE	N/A		N/A	N/A				
Other SPACE	N/A		N/A	N/A				

SEE FOOTPRINT TEMPLATE

a. Nursing Home Care Unit: We operate a 72 bed NHCU on the Vancouver campus that contains two programs, a Nursing Skilled Care Unit (NSCU) and a Comprehensive Rehabilitation Unit (CRU). The NSCU is primarily focused on post-acute care, while the CRU provides comprehensive physical medicine and rehabilitation. While the CRU is not a Spinal Cord Injury unit, we do have designated beds for the priority treatment of patients with SCI. We have added 8 additional beds to the NHCU to deliver inpatient hospice care. This facility serves the entire catchment area of the Portland VAMC. As part of our evaluation of options for this report, we contracted with two outside consultants to

help assess the contracting options in the community. We were not surprised to learn that the activity associated with 10 of these beds was classified as acute rehabilitation, which is available on a limited basis in the community at a cost $1250 per day. Another 10 of the patients, based on chart review by the consultants and Resource Utilization Group (RUGS) scores, would be appropriate for placement in a community nursing home. Approximately half of these are Millennium Bill eligible for long-term care. Of course we have 8 hospice beds, but we were advised that the remaining patients would be difficult to place in the community because of the acuity of services or because of significant patient behavioral issues. We were told that probably half would be hospitalized and therefore not accepted under any circumstances by community nursing homes. This reinforced the perceptions about the way we use the NSCU for post-acute care.

b. Primary Care: The clinic in Vancouver is located in new space constructed for that purpose. It is collocated with laboratory, diagnostic imaging, dental, optometry, audiology, and prosthetic services to provide more convenient and comprehensive services for patients. There is no redundant capacity for primary care between the Portland campus and Vancouver. Indeed, we have had to extend service hours into the evening and on weekends at all primary care sites in order to accommodate patient demand. We currently have no room to accommodate additional primary care providers and currently have a few clinicians whose *office* consists of a computer terminal on a cart in the hallway. Two additional satellite clinics have been approved for the metropolitan area and we are in the process of securing appropriate lease space. One of these will be placed in the eastern part of the city of Portland and the other in a western suburb.

c. Mental Health: We operate general mental health services in conjunction with the Primary Care program on the campus. This is part of our approach to tightly integrate medical and mental health care for veterans. Additionally, our only PTSD treatment program is on the Vancouver campus.

d. Domiciliary: We no longer operate an inpatient Domiciliary program. In 2002, we *temporarily* took these beds out of service and converted these beds to transitional lodging. We refer those patients who are appropriate for inpatient rehabilitation to the White City. Our clinicians have admitting privileges and can complete the needed *paperwork* on-line. Patients who elect to return to the Portland area upon discharge from White City, lodge in our transitional housing while completing treatment and placement into the community through our outpatient programs. This arrangement has been so successful and cost effective that we have begun the process to permanently convert these beds. We maintain outpatient addiction and vocational rehabilitation programs that once served the inpatient domiciliary beds. Homeless veterans can lodge in our transitional housing while attending outpatient rehabilitation programs on the campus.

e. Outpatient PM&R: All outpatient physical medicine and rehabilitation services are located on the Vancouver campus. We only provide these services to acutely hospitalized patients on the Portland campus. Collocation with our inpatient rehabilitation program and the NSCU is optimal. Outpatients have surface parking and access these services on the ground floor of a state-of-the-art facility constructed for this purpose. Comprehensive physical therapy, occupational therapy, kinesiotherapy, and speech therapy are available.

f. Telephone Care: The Telephone Linked Care program, which now serves the entire VISN after hours (spans three time zones), is located on the Vancouver campus.

g. Ancillary Clinical Services: As mentioned above, we maintain relatively small laboratory, diagnostic imaging, optometry, audiology, dental, and prosthetic services whose capacity is sized to support primary care, long-term care, and domiciliary patients.

h. Home Care: Our Hospital Based Primary Care (HBPC) and Project At Home are housed on the Vancouver campus. HBPC provides intensive home care to patients throughout the greater metropolitan area, reaching into some of the more rural areas that are within reasonable commute times. We also have a national demonstration project funded through a grant with the Hartford Foundation to provide in-home care to patients that would otherwise be hospitalized. That program has shown that this is a cost-effective alternative to hospitalizing some patients – one that is associated with tremendous patient satisfaction.

i. C&P: Our entire C&P program was consolidated on the Vancouver campus in an effort to improve efficiency and to free space on the Portland campus.

j. Lodging: We maintain a transplant lodging facility on the Vancouver campus. Portland is one of four liver transplant facilities and one of four renal transplant facilities in VA. As a result we receive patients from all across the country. This facility, which has 33 rooms, provides a cost-effective mechanism for liver and renal transplant patients, and a caregiver (often a family member), to reside in the area. These patients often must reside in the area up to six months before and after transplant. The facility fosters an environment where patients, and their family members, can support one another.

k. FMS: The only warehouse for the entire Portland VAMC is on the Vancouver campus. Our sign shop, print shop, and all large equipment maintenance is performed on that campus. We also operate the only laundry facility for the Portland VAMC at Vancouver.

l. Administrative: The campus houses the regional offices of the Office of Resolution Management, the Network Office, and the Network Enterprise Center which contains information technology that supports the entire VISN structure.

2. Travel times:

Alternate # 1	Name of Facility Being Studied: Vancouver Contract or transfer									
CARES Category (Dom, Specialty Care or NHCU)	County Name	FY 2012 Workload (BDOC)	Travel time from County to Facility being studied	Workload to be transferred to Facility A	Travel Time from County to Facility A					New weighted Travel Time (calculated)
Dom				Portland						
NHCU	MULTNOMAH	9,528	20	9,528	20					
NHCU	CLARK	5,009	0	5,009	20					
NHCU	WASHINGTON	3,680	35	3,680	20					
NHCU	MARION	3,643	70	3,643	20					
NHCU	CLACKAMAS	3,524	58	3,524	20					
Specialty	CLARK	8,789	0			wkld stays in Vancouver new VA clinic offsite				
Specialty	MULTNOMAH	4,580	20							
Specialty	COWLITZ	1,749	72							

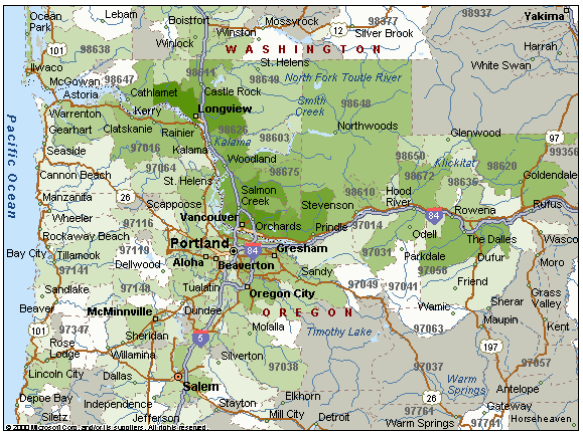
Type	Current Access %	New Access %
Primary Care		
Acute Care		

Alternate # 2	Name of Facility Being Studied: Vancouver Reduce Footprint									
CARES Category (Dom, Specialty Care or NHCU)	County Name	FY 2012 Workload (BDOC)	Travel time from County to Facility being studied	Workload to be transferred to Facility A	Travel Time from County to Facility A	Workload to be transferred to Facility B	Travel Time from County to Facility B	Workload to be transferred to Facility C	Travel Time from County to Facility C	New weighted Travel Time (calculated)
Dom				N/A						
NHCU	MULTNOMAH	9,528	20	N/A						
NHCU	CLARK	5,009	0	N/A						
NHCU	WASHINGTON	3,680	35	N/A						
NHCU	MARION	3,643	70	N/A						
NHCU	CLACKAMAS	3,524	58	N/A						
Specialty	CLARK	8,789	0	N/A						
Specialty	MULTNOMAH	4,580	20	N/A						
Specialty	COWLITZ	1,749	72	N/A						

See Footprint Template

Type	Current Access %	New Access %
Primary Care	72%	
Acute Care	56%	

The Vancouver campus is conveniently located just off Interstate 5 and bordered by major streets. There is ample surface parking adjacent to all services. The NHCU (NSCU & CRU) serves Portland's entire catchment area, with the majority of patients coming from counties surrounding the metropolitan area. Relocating services away from this campus will not improve access. Most options will reduce access. The primary care and mental health clinics on the Vancouver campus are critical elements in our ability to meet the healthcare needs of our enrollees. As was mentioned, the Vancouver facility will be one of four clinics ringing the metropolitan area. We are in the process of establishing clinics in the east metropolitan area and in the western suburbs of Portland. We have proposed a third clinic in the southern suburbs as part of our CARES market plan. The outpatients utilizing the Vancouver campus reside predominantly in



counties north of the facility in Washington State (see map on next page). Although the Vancouver campus is only 11.5 miles from the Portland campus, the commute from these northern suburbs into downtown Portland is significantly hampered by freeway congestion. Access is funneled through a few bottlenecks imposed by the rivers and steep hills in the area. The commute from Vancouver to downtown Portland during morning hours often takes up to an hour.

3. Current physical condition of the realignment site and patient safety

2001 Baseline Data	Name of Facility Being Studied: Vancouver								
Facility Name	**Campus Acreage**	**Original Bed Capacity (Beds)**	**Number of Vacant Bldgs**	**Number of Occupied Bldgs**	**Vacant Space (SF)**	**Average Condition Score**	**Annual Capital Costs ***	**Valuation of Campus (AEW)**	
Vancouver	**52**	172	**17**	**36**	**118,647**	**2.5**	**3144838**	**5,376,000**	EU acres
								$9,184,000	VA acres
Portland	**29**	490		**10**	**18,459**		**9416149**		

Footnotes

Average Condition score recalculated

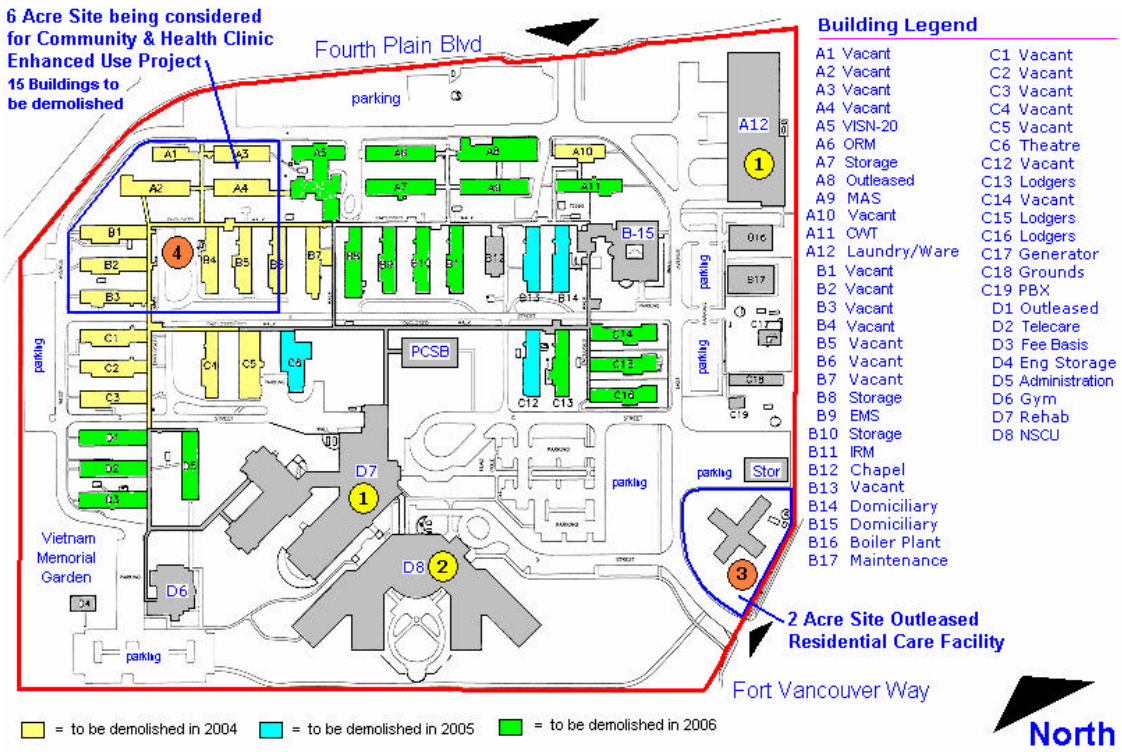
Patient Care = 3.16

Administration = 3.40

AEW	Vancouver							
Market Valuation Estimate								
	# Bldgs	GSF	Value					
Land			$15,900,000	on	52 acres			
Demo 2003	17	89238	($540,000)					
Demo 2004	4	23148	($140,000)					
Demo 2005	18	108834	($660,000)					
			$14,560,000	/	52	=	$280,000	per acre
Total acres	52	*	$280,000	=	$14,560,000			
EU acres	**-19.2**	*	**$280,000**	=	**($5,376,000)**			
VA acres	32.8	*	$280,000	=	$9,184,000			
Land without Clark Co	13.1	*	**$280,000**		3668000			

Modern rehabilitation and ambulatory structures, as well as old World War II era (originally built in 1941) wood frame barracks, are currently housing clinical and administrative functions on the Vancouver campus. The Nursing Home, Barnes Rehabilitation Center and Primary Care Support buildings comprise the core of the clinical activities. The 39 smaller cantonment buildings house primarily administrative functions or are now leased to Clark County (pending construction of their new building under an EUL on the Vancouver site).

The modern portion of the campus (gray buildings), built since the mid 1980's, occupies approximately 32.8 acres. This includes all the buildings that house clinical programs as well as the only warehouse, laundry facility, print and sign shops for the entire Portland VAMC. A Primary Care support building, which houses prosthetic services, dental, and home care programs, was built last year. We have been demolishing the old structures within existing resources. We plan to remove 17 of these (■) by the end of this calendar year to make way for the Clark County EUL. We will demolish 4 by the end of FY04 (■). With the new space we will receive in the new Clark County building, we will vacate the remaining structures (■). By 2006, all WWII-era barrack structures and associated connecting corridors will be demolished and 19.2 acres will be available for reuse.



AEW valued the land of the entire campus at $12 million after accounting for the demolition of ***all*** structures. Please note that not we will only demolish the cantonment structures, not all the buildings on the campus. We have therefore revised the ***Reuse*** Valuation Data for the Campus. At $280,000 per acre, the value of the land (19.2 acres) available for reuse is $5,376,000.

4. Impact considerations:

a. Capital Costs:

Brought in updated table

SUMMARY

Capital Cost Summary	Status Quo (Plus capital)	Original Market Plan	100% Contract	Alt 1	Alt 2 (Footprint)
Vancouver Being Studied					
New Construction	0	0	0	0	0
Renovation	0	0	0	0	0
Leases	0	0	0	0	0
Vacant Space Demolition	0	709098	1456474	1456474	1456474
Capital Cost for Status Quo	51,377,455	0	0	0	0
TOTAL	51377455	709098	1456474	1456474	1456474
Receiving Facility Portland					
New Construction	0	2268691	2268691	2268691	2229836
Renovation	0	3437308	3514896	8753541	3437308
Lease	0	0	3982984	3982984	0
Vacant Space Demolition	0	0	0	0	0
Capital Cost for Status Quo	153,832,344	0	0	0	0
TOTAL	153832344	5705999	9766571	15005216	5667144
Receiving Facility New Vancoucer CBOC					
New Construction	0	0	0	0	0
Renovation	0	0	0	0	0
Lease	0	0	0	11137602	0
Vacant Space Demolition	0	0	0	0	0
Capital Cost for Status Quo	0	0	0	0	0
TOTAL	0	0	0	11137602	0
Grand TOTAL	205209799	6415097	11223045	27599292	7123618

The costs to demolish additional buildings on the Vancouver campus appear in the 100% contract option, Alternate 1 (vacate the campus), and Alternate 2 (reduce the foot print). These costs were not put into the original Market Plan because of our lack of certainty about the EUL arrangement with Clark County under which we will gain 28,000 sq ft.

Alternative 1 is the most expensive option because it requires significant remodeling at the Portland campus and leasing space to accommodate many ambulatory functions, as well as a warehouse. Laundry services must be relocated or purchased. We would relocate half the NHCU beds and the entire outpatient physical medicine & rehabilitation to the Portland campus. To do this, we must renovate two wards to accommodate the clinical needs and accreditation requirements for this program. A third ward would be renovated to accommodate the outpatient PM&R functions. To accommodate this move we must evict the University from the wards that they currently lease from us for over $1 million annually.

Furthermore, the congestion on the Portland campus is a significant issue. Using a Central Office formula, we are short 645 parking spaces on the Portland campus. We can provide parking for only about a third of our daytime employees, and employees who carpool are given priority. We have had a bus pass program for many years and encourage bicycling by providing locked storage and locker room facilities. Patients often complain about or are late for appointments because of limited parking. We would need to build a parking structure if we were to move additional clinical functions to the Portland campus. The terrain makes additional surface parking impractical. A parking structure of this magnitude would cost $11,610,000.

We must also lease space to accommodate the current outpatient services on the campus. Since access for patients in the northern part of our service area is critical, we would attempt to lease space just off I-5, probably not far from the current campus. We would lease warehouse space in downtown Portland and would purchase laundry services, which we now more cost-effectively produce. We would also have to contract with local hotels to accommodate our transplant lodgers.

Our recommended option only requires a capital investment to demolish the old cantonment structures - something we have already begun within our existing resources. This option makes 19.2 acres available for EUL. The EUL with Clark County will result in 23,696 sq ft of new space into which we can move all remaining administrative functions, allowing us to completely vacate and remove the remaining WWII-era structures.

b. Operating costs:

SUMMARY

Operating Cost Summary (10-30)	**Status Quo**	**Original Market Plan**	**100% Contract**	**Alt 1**	**Alt 2 (footprint)**
Facility Being Studied					
Operating Costs	600,794,738	583,017,480	724,542,516	114,205,090	542,724,106
Receiving Facility Portland					
Operating Costs	3,820,196,927	3,316,655,128	3,340,598,829	3,800,537,071	3,316,642,873
Receiving Facility New Van CBOC					
Operating Costs	0	0	0	310,974,972	0
TOTAL	4,420,991,665	3,899,672,608	4,065,141,345	4,225,717,133	3,859,366,979
Capital Cost					
Grand TOTAL	205,210	5,705,999	10,020,704	28,486,120	9,615,850
Grand TOTAL with Capital Cost	**4,421,196,875**	**3,905,378,607**	**4,075,162,049**	**4,254,203,253**	**3,868,982,829**
Grand TOTAL	205,210	6,415,097	7,123,618	30,897,456	11,072,324
Grand Total	**4,421,402,085**	**3,911,793,704**	**4,082,285,667**	**4,285,100,709**	**3,880,055,153**

Note all demolition and EU was an incomplete listing in the original market plan

OLD SUMMARY

Operating Cost Summary	**Status Quo**	**Original Market Plan**	**100% Contract**	**Alt 1**	**Alt 2 (footprint)**
Facility Being Studied					
Operating Costs	30,524,853	583,017,480	720,290,422	117,528,924	573,777,323
Receiving Facility Portland					
Operating Costs	3,820,196,927	3,274,091,472	3,316,642,873	3,800,537,071	3,316,642,873
Receiving Facility New Van CBOC					
Operating Costs	0	0	0	310,974,972	0
TOTAL	3850721780	3857108952	4036933295	4229040967	3890420196
Capital Cost					
Grand TOTAL	205210	5705999	10020704	28486120	9615850
Grand TOTAL with Cap	**3850926990**	**3862814951**	**4046953999**	**4257527087**	**3900036046**
Grand TOTAL	205210	6415097	7123618	30897456	11072324
Grand Total	**3851132200**	**3869230048**	**4054077617**	**4288424543**	**3911108370**

Note all demolition and EU was an incomplete listing in the original market plan

Status quo incorrect last week for Vancouver

Of the three new alternatives that are being considered, the Alternative 2 (reduced footprint) has the lowest operating costs. Current services are maintained on the Vancouver campus. We will gain some savings from the demolition of old structures that require significant upkeep and have higher utility consumption.

Alternative 1 (vacate the campus) requires us to lease space to relocate current outpatient services and a warehouse ($3,265,292 annually). We must also purchase laundry services ($1,052,065 annually). Once vacated, the buildings and grounds would still need to be maintained, particularly if there are tenants. As a landlord, we would have to continue to operate our steam plant and maintain the campus.

Additionally, contracting for care will not be more cost effective and may not be possible. Clark County, as the second fastest growing county in the United States, has outstripped its healthcare resources. There is a shortage of primary care and mental health providers. Our prior experience contracting for primary care services in Salem, Oregon (an area that does not have shortages to the same degree as Clark County) was dismal. No one bid on the first two solicitations. One entity bid the third time we solicited bids and that was not cost-effective. Furthermore, we are concerned about the switching costs, both financial and emotionally for our patients, should we need to change contractors. We may be held hostage to escalating contract costs once we dismantle our ability to render services.

Contracting for long-term care services and physical rehabilitation will also be problematic. We used two consultants to help us evaluate our contracting options for the NHCU. They visited our facility and conducted independent chart reviews. They also independently calculated RUGS acuity scores. Fourteen percent of our bed days of care (BDOC) in the NHCU could be purchased for the $210 per day contract rate. Patients eligible for long-term care services under the Millennium Bill currently consume half of these bed days. Another 14% of the BDOC fit criteria for acute physical rehabilitation. There are two small programs in the metropolitan area. Neither currently has the excess capacity to absorb our workload. However, they may expand that capacity should we seek a contract. The going rate is $1250 per day for this care. Our consultants felt that the remaining BDOC (72%) would be hard to purchase. At least half these patients, we were told, are too acute for the nursing skilled care facilities in our area. Patients with that acuity would normally be hospitalized since nursing homes do not have the mix of professional staff to deliver that care cost-effectively. It is unlikely that any facility would take these patients at any cost. This is not particularly surprising since we use our NSCU primarily for post-hospital care. They felt that local facilities would potentially take the other half, but not for $210 per day. Behavioral issues and significant impairment in activities of daily living will make these patients more expensive to place. The maximum we can legally pay is $280 per day, but our consultants felt this would be inadequate to ensure placement.

c. Human resources: We have 600 FTEE on the Vancouver campus. There is a critical shortage of professional staff in the area. We are certain that staff who wish to leave will have no difficulty finding employment outside VA. Under Alternative 1, we would relocate many of the staff to Portland or to leased space

in the community. With the increasing demand for services, we believe we could accommodate the vast majority of staff from the Vancouver campus either at the Portland campus or at one of the metropolitan clinics. Many of the Vancouver staff will likely seek employment outside VA, however. Washington State residents currently have no state income tax. If they worked in the state of Oregon, they would be required to pay Oregon State income taxes. Many would likely find the commute times unacceptable, as will many of our patients.

d. **Patient care issues and specialized programs:** We have concerns about contracting for primary care, mental health, rehabilitation, and long-term care services. Coordination of care and effective clinician-to-clinician communication are likely to suffer. It will be difficult to impossible to get private clinicians to use our computerized medical record system. This potentially has a significant impact on the quality of care and undermines the very purpose of the investment in this technology. We have added 8% of the contract costs to cover the overhead of managing provider relationships and coordinating services for veterans. Compliance with preventive health and chronic disease management measures will likely suffer. We anticipate seeing higher contract hospitalization costs associated with an increased utilization of community nursing homes. When patients deteriorate in our NHCU, we manage that care in-house. Contract nursing homes will not do this. Finally, we believe that the average length of stay in our acute care hospital beds is likely to increase, as clinicians will be reluctant to discharge some patients to community facilities, there will likely be delays in transferring patients that are not under our control, and many patients may be hard to place. We are on total ambulance divert over 70% of the time and this will compound our admission problems.

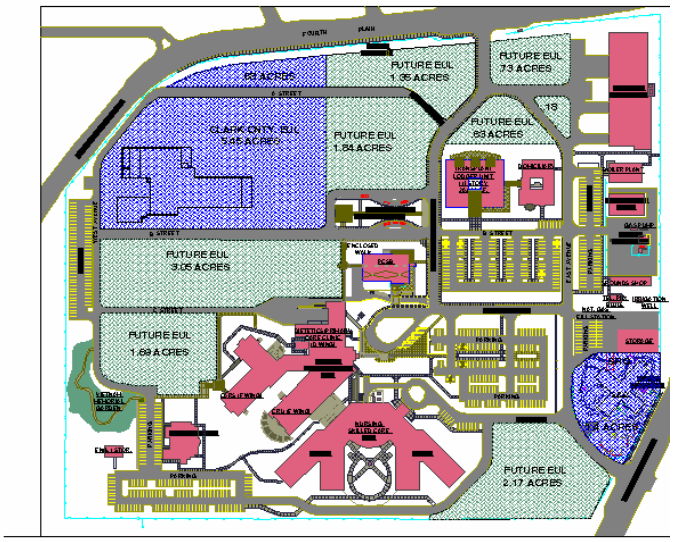
e. **Impact on Research and Academic Affairs:** We would lose a unique educational and research environment. Our long-term care and rehabilitation programs host trainees in medicine, nursing, psychiatry, surgery, nursing, physical therapy, occupational therapy, kinesiotherapy, speech pathology, audiology, recreation therapy, psychology, and social work. The campus offers a very different environment than the acute care facility in Portland, providing a unique experience for many trainees. These programs have also afforded many opportunities for important research. Past and current projects have focused on post-acute rehabilitation in spinal cord injury, team function in rehabilitation therapy, patient centered care models, Do Not Resuscitate Orders in the elderly, integrated wound care outcomes, CBG monitoring in Long-term care, depression, and home care alternatives. Contracting services would essentially close these research programs. Although these are intangible considerations, we believe they are extremely important to our mission and to veterans.

f. **Reuse of the Realigned Campus**: We already have one EUL on the Vancouver campus and are about to consummate a second. The first is a Single Resident Occupancy facility that was built in partnership with Clark County, the City of Vancouver, HUD, and Key Bank. In exchange for land value, homeless veterans

have priority access to half of the apartments. We are about to complete a second EUL with Clark County for 6 acres on which they will build a new structure to consolidate public health services. We have approached several entities who would most likely be interested in leasing the newer building on the campus (Clark County and Clark Community College). Neither expressed any interest. The facilities are designed as long-term care and ambulatory clinical space. They would require extensive renovation to be used for any other purpose. Therefore, we believe the market would be limited. We have been historically blessed with many long-term care options in this area. Recently, because of state cuts in Medicaid funding, several nursing homes have closed their doors. Thus, the opportunities for EUL are not pragmatically different between Alternative 1 and Alternative 2.

g. Summarize alternative analysis:

After seriously reviewing the possibilities, we recommend that current services be maintained on the Vancouver campus and that the footprint be reduced to both reduce operating costs and create land that may be used for other EUL (Alternative 2). We have had a plan to renovate the Vancouver campus for a number of years and have slowly been demolishing the old buildings within existing resources. Through a recently approved EUL, Clark County, Washington intends to build a new facility to house its public health programs. Through this EUL, we will gain enough square footage to allow us to finish demolishing these old buildings. At that point, all programs on the Vancouver campus will be housed in relatively new space, designed to meet the needs of our patients. Under our current plan, the campus will be devoted to rehabilitation and long-term care services, outpatient primary care, mental health and substance abuse programs, and administrative functions. Once the remaining old structures are demolished, 19.2 acres will be available for EUL.



Vancouver Campus Portland VAMC

Preferred alternative description and rationale:	Alternative 2, Reduced footprint. This is the recommended option because it creates, in a practical sense, the same enhanced use lease opportunities while leaving clinical services on the Vancouver campus intact.

	Status Quo	Original Market Plan	100% Contract	Alternate # 1	Alternate # 2
Short Description:		**Demolition of most of the old buildings, EUL unused acreage.**	**Contract out all services and vacate clinical portions of campus.**	**Vacate Vancouver campus. Relocate some services to Portland, lease new space in the community, contract for some care.**	**Demolition of old buildings creating 19.6 acres for EUL. Leave clinical services at Vancouver.**
Total Construction Costs	$205,209,799	$6,415,097	$7,123,618	$27,599,292	$7,123,618
Construction Costs 10-30		$5,705,999	$5,783,587	$11,022,232	$5,667,144
Life Cycle Costs	$17,396	$17,396	$17,396	$17,396	$17,396
Life Cycle Costs 10-30	$4,626,201,464	$3,890,385,371	$4,029,901,277	$4,206,853,312	$3,816,139,143
Impact on Access	Unchanged	Unchanged	Access would be distributed throughout the community.	Significant impact without new parking structure at Portland campus. Patients now have to commute to downtown Portland for care. New CBOC site unknown, access may not be as good.	Unchanged
Impact on Quality	Unchanged	Unchanged	Coordination of care issues. Compliance with prevention and chronic disease management may be impacted.	Coordination of care for contracted services likely to be problematic.	Unchanged
Impact on Staffing & Community	Unchanged	Unchanged	Community can easily absorb professional work force. Those who remain with VA would incur state income tax and long commutes.	Community can easily absorb professional work force. Those who remain with VA would incur state income tax and long commutes.	Unchanged
Impact on Research and Education	Unchanged	Unchanged	Loss of research activities and partnerships with educational programs in long-term care and rehabilitation.	Reduced opportunities due to fewer beds operated by PVAMC.	unchanged

	Status Quo	Original Market Plan	100% Contract	Alternate # 1	Alternate # 2
Support other Missions of VA	Maintains research and education arrangements and supports continued growth. Maintains arrangements with VHA for supporting VISN, CRM, AEM and other offices. Opportunity for continued partnership with community for additional Enhanced Use Lease arrangements.	Maintains research and education arrangements and supports continued growth. Maintains arrangements with VHA for supporting VISN, CRM, AEM and other offices. Opportunity for continued partnership with community for additional Enhanced Use Lease arrangements.	Reduces space for research and education arrangements. Opens campus for unknown Enhanced Use Arrangements	Reduces space for research and education arrangements. Opens campus for unknown Enhanced Use Arrangements	Maintains research and education arrangements and supports continued growth. Maintains arrangements with VHA for supporting VISN, CRM, AEM and other offices. Opportunity for continued partnership with community for additional Enhanced Use Lease arrangements.
Other significant considerations					

Added these last two rows that were missing from previous version